

USAID/Philippines

Annual Report

FY 2005

June 16, 2005

Please Note:

The attached RESULTS INFORMATION is from the FY 2005 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Portions released on or after July 1, 2005

Philippines

Performance:

Program Performance Summary

Program Narrative (FY 2004): Background: Endemic corruption, weak governance, and conflict continue to impede the Philippines' economic and social development. Forty-six percent of the country's population lives on \$2/day or less and income distribution remains highly skewed. The Philippines continues to manifest key symptoms of underdevelopment: a high population growth rate; destructive exploitation of natural resources (including unique biodiversity); and separatist violence in Mindanao and nationwide violence by the National People's Army (declared a terrorist organization by the U.S. in 2002).

Muslim Filipinos, constituting about 5% of the population, are concentrated in the western and southern areas of Mindanao. They often lack access to basic services, have few viable economic opportunities, and resent government policies perceived as favoring the Christian majority. It is therefore perhaps not surprising that Mindanao has been a center of separatist conflict and sporadic terrorist activity. The Abu Sayyaf Group (ASG) -- also a U.S.-designated terrorist organization -- remains active in Mindanao, and the GRP acknowledges that operatives of the Al-Qaeda-linked Jemaah Islamiya are present in Mindanao. The Communist Party of the Philippines/NPA (CPP/NPA) is one of Southeast Asia's longest running insurgencies. Its durability can be attributed to the continuing severe poverty and social injustice that plague parts of the country and to the inability of the GRP to defeat or pacify the insurgents by military means. The NPA's strongholds are in the poorer and more isolated areas, and continued poverty and corruption create an environment that can be conducive to instability and violence.

U.S. Interests and Goals: USAID's program focuses on reducing conflict and enhancing stability, encouraging peace and regional security. USAID's new Education program, in particular, addresses the political and social marginalization of Muslim and other conflict-affected communities in Mindanao. USAID's activities also support sustainable, equitable development, which in turn contributes to national and regional stability and USG global interests. The continued success of these efforts reinforces USG diplomatic efforts to preserve and strengthen the important and enduring U.S.-Philippine relationship.

Donor Relations: Donor coordination is good and there is general consensus on the priority development challenges. The largest donors are the Japan Bank for International Cooperation (JBIC), the Asian Development Bank (ADB), and the World Bank, all of whom primarily provide loans for infrastructure or policy reform. USAID collaborates with ADB and the World Bank on policy reform in energy, basic grains, bank and non-bank financial regulation, and expenditure management. The overall U.S. Mission maintains an active dialogue with the International Monetary Fund (IMF), which has a small but influential technical assistance program that includes tax administration. The United Nations Development Program (UNDP) helps coordinate donor activities in Mindanao. USAID communicates regularly with JBIC and JICA, and currently is discussing collaboration on renewable energy and urban water financing. Australia and Canada include an emphasis on Mindanao, corruption, and governance that complements USAID's strategy. Several donors have new education initiatives and have formed a working group on education. Other bilateral donors include the European Commission and other European Union members, who emphasize direct assistance to small enterprises and small farmers.

Challenges: The Philippines has made important gains in recent years but still faces formidable challenges. One of the greatest is armed conflict in Mindanao, and kidnappings and violence that discourage foreign investment. Corruption has constrained competitive markets and limited the government's capacity to raise revenue and invest in human resources and infrastructure; these continue to erode. The investment climate is dampened by continuing conflict and corruption, deficient infrastructure, a weak judiciary and weak regulatory bodies. Relatively high levels of government debt, much of it dollar-denominated, increase vulnerability to external and domestic shocks. The country's annual population growth rate is high (2.36%) though the economy already cannot absorb the many new entrants, especially in the poorest parts of the country (e.g., the conflict-affected areas of Mindanao). The Philippines education system, once one of the best in Asia, has deteriorated alarmingly in both quality

and access. Key comparative advantages (e.g., a literate English-speaking labor force) are disappearing. Environmental degradation is an increasingly grave threat to food security and the country's significant biological diversity. High deforestation rates, problematic water supply and over-fishing contribute to increasing rural-to-urban migration, placing greater stress on already inadequate infrastructure.

Key Achievements:

USAID/Philippines' assistance in FY 2004 was organized around five Strategic Objectives: the separatist conflict in Mindanao; corruption and economic governance; management of the energy sector and the country's unique natural resources; population and health; and improving access to quality education. Assistance under all Objectives prioritizes the conflict-affected areas of Mindanao, and reducing corruption, improving governance and engaging the private-sector are cross-cutting emphases.

Strategic Objective: Prospects for Peace in Mindanao Strengthened

This SO addresses some of the underlying problems that have created conditions conducive to conflict in Muslim Mindanao: lack of economic opportunities and perceived neglect by both local and central governments. Activities consist of efforts to reintegrate former combatants and their communities into the mainstream economy; improve economic infrastructure; accelerate business and economic development; increase access to microfinance services; improve governance; and expand availability of social services.

A total of 25,165 Moro National Liberation Front (MNLF) ex-combatants have received livelihood assistance under our highly successful "Arms to Farm" (LEAP) program; approximately 24,000 of these have "graduated" from training (the balance will graduate in 2005) and are now capable of earning a living peacefully. Some 3,162 have diversified to higher value crops and over 2,000 are now earning higher incomes. To make their agricultural activities more productive USAID has delivered over 500 pre- and post-harvest facilities to their communities. Some 202 community infrastructure projects and 10 mid-scale infrastructure projects are either completed or under construction. These will benefit over 800,000 people by reducing transportation costs, increasing productivity and improving access to markets.

A total of 104 schools received computers with internet connections through USAID partnerships with the private sector (e.g. Microsoft, Intel, Ayala Foundation). USAID's matching grant program with Parent Teacher Community Associations (PTCA) funded education improvements in 105 schools and served to encourage community participation in upgrading education in their localities.

Some 81 rural banks units received training and technical assistance to develop their capability to profitably service the microenterprise market, bringing the total number of participating bank units to 198. These have provided Pesos 4.8 billion (approximately \$85 million) in loans to about 157,000 microenterprises. In addition, 54,000 micro-depositors opened accounts in 2004, increasing the total to 242,000 now regularly saving at the participating banks.

Mindanao exports to China of fruit, vegetables and fishing products increased by 34% to US \$9.6 million in the last year, with USAID assistance in marketing, business matching and information sharing playing an important role. Following establishment of a "cold chain" for vegetables from Bukidnon, shipments to the Manila market, using the cold chain, increased 200% since December 2002. Finally, USAID has trained more than 155 personnel in an effort to strengthen institutional capacity in the Autonomous Region in Muslim Mindanao (ARMM).

Strategic Objective: Performance of Selected Institutions Improved

This SO addresses issues that cause sluggish economic growth: conflict and corruption. Improved economic governance also contributes to the investment and job growth needed to reduce poverty and to create an economic environment conducive to conflict reduction in Mindanao. The program also enhances trade and investment opportunities.

USAID assistance in economic policy, trade and investment provided critical support for: (a) passage of

the Optical Media Law for a stronger legal framework for IPR protection; (b) an improved Super Green Lane customs processing program and a management information system for effective enforcement of the Intellectual Property Code; (c) improved capacity of the Securities and Exchange Commission with its market surveillance system; (d) integration of Microfinance Best Practices into law and regulation; (e) promotion of "Roll-on/Roll-off" systems to allow greater efficiency in inter-island transport; and (f) increased capacity of the Department of Agriculture for proper implementation of biotech regulations.

USAID helped reduce conflict and increase access to justice for the disadvantaged, especially women, through assistance for (a) training over 600 mediators in municipal courts and 1,545 volunteer community mediators from 309 villages in the ARMM; (b) systems and materials for case flow management; (c) civil society inputs to Supreme Court reform; and (d) release of 400 detainees who had completed their required time in jail but were still behind bars (supporting the rule of law). USAID also supported Judge to Judge Dialogues that allowed 135 Filipino judges to exchange views with prominent judges and legal scholars from the U.S., Thailand and Australia, as well as reforms of the Bar Examination.

USAID support for the GRP's anti-corruption efforts resulted in: (a) improved anti-corruption effectiveness of the Revenue Integrity Protection Service; (b) improved corruption investigation at the Office of the Ombudsman; (c) identification of integrity problems and reform measures at the Office of the Ombudsman and the Department of Education; and (d) a much faster, transparent and customer friendly business permit renewal process in seven Mindanao cities.

Strategic Objective: Desired Family Size and Improved Health Sustainability Achieved

USAID's family planning and health objective is helping Filipinos to achieve their desired family size and improve health and nutritional status, particularly of women and children. It provided technical assistance to improve the capacity of local government units (LGU) to deliver family planning services, expand TB diagnosis and treatment, and improve other vital health services focused particularly on the poor. It mobilized business support and involvement in family planning, TB prevention and treatment, and food fortification, encouraging the commercial sector to significantly increase its share of the overall contraceptive market. It mobilized "champions" who will inform the public about the value of family planning, and supported multi-media communication campaigns to promote the use of modern contraceptives. USAID also has specialized activities to improve the dramatically poor health indicators in the conflict-affected areas of Mindanao and other marginalized areas of the country.

Program outputs are on track and contributing to expected outcomes. Significant milestones have been achieved in public and private sector delivery of family planning and TB services. There is increased awareness and acceptance of family planning, together with an intensified popular debate on the virtues of a strong population management program, a view championed by the business community and many academics and politicians. According to the 2003 National Demographic and Health Survey, contraceptive prevalence rate has increased by 1.5% (from 33.4-34.9%) in the past year. Maternal health and child survival program activities have contributed to the significant reduction in under-five mortality, and the government has pledged to ensure enforcement of the law on food fortification. Efforts to move the country towards contraceptive self-reliance are in place and health systems and health outcomes are improving in the conflict-affected areas of Mindanao.

Strategic Objective: Productive Life-Sustaining Natural Resources Protected

USAID's environment and energy objective strengthens management of key natural resources, with a focus on Mindanao, other conflict-affected areas, and high-biodiversity sites. It addresses declining productivity due to over-exploitation and poor governance of forest, coastal and fishery resources, thereby supporting improved food security and poverty reduction; promotes access to adequate, clean and affordable energy; provides renewable energy to remote communities; helps to reduce pollution from vehicle emissions, solid waste and waste water; and seeks to expand access to clean water.

The SO has achieved important results in forest and coastal resource management and rural electrification. Over 40,000 hectares of coastal waters have been placed under improved management,

and USAID helped local governments and communities manage 284,335 hectares of forest cover. Energy sector reforms are taking place, and USAID brought electricity to over 4,000 households in isolated, conflict-affected areas of Mindanao. Efforts to mitigate the environmental and health hazards of air pollution and improper waste management met with success in both rural and urban areas. USAID initiated a new collaborative effort with the Japanese to bring clean water and sanitation to more Filipinos. New policies and laws, such as the landmark Clean Water Act and the ARMM's Sustainable Forest Management Act, are providing the legal underpinning for long-term success and scaling up of USAID-initiated natural resource protection and management efforts.

Strategic Objective: Increased Access to Quality Education and Livelihood Skills in Selected Areas

USAID's basic education objective focuses on Mindanao, specifically the ARMM and neighboring conflict affected areas. It aims to build stability with improved access to quality education and livelihood skills for out-of-school youth by: establishing community learning centers with flexible learning options; empowering PTCAs and local school boards to play an active role in mobilizing and managing educational resources; strengthening capacity for teaching Math, Science and English; providing learning opportunities through Educational TV or radio; linking vocational education and livelihood training with employment opportunities; and helping Islamic schools (madaris) to teach courses, such as math and science, for accreditation by the Department of Education. USAID/Philippines implemented the Pilot Education Assistance Program for Mindanao through the U.S. Peace Corps, training 116 trainers from the ARMM and conflict affected areas. In turn, these trainers have conducted workshops for 328 elementary and high school teachers to improve the teaching of English and ICT.

With Congressionally earmarked funds, the American Foreign Policy Council-Asia Pacific Initiative (AFPC-API) implemented a model schools project under its existing Development for Peace in Sulu program. Seven elementary and five high schools in Jolo are being established as model schools with increased involvement by parents, teachers and the community. These schools will have the potential to serve as teacher training and vocational training centers.

Gender: USAID/Philippines' goals with a gender component include: expanding economic opportunities for women; conserving natural resources by involving women more effectively; bolstering women's voices in achieving desired family size; improving maternal and child health, and stemming the rapid increase of infectious diseases, including HIV/AIDS; and achieving equality in education (where boys tend to drop out of school more than girls) through promotion of gender-equitable policies and practices in basic education in the formal and non-formal sectors. All USAID/Philippines programs are designed to ensure women's participation and integration of gender sensitivity. For example, the Muslim women's dialogue and advocacy for peace and development has become an important development agenda in FY 2004 and is now spreading in Mindanao. This began when USAID/Philippines sponsored eight Mindanao women leaders to the Global Summit of Women in Morocco in June 2003. This was followed by an Echo Forum for the Global Summit of Women in November 2003, bringing together more women leaders, and by a follow-on Conference-Workshop on the Role of Muslim Women in Peace-Building and Development attended by 800 Muslim women in July 2004. These initiatives have resulted in the development of local Muslim women Peace and Development Councils in Mindanao, seeking and advocating peace and development. USAID is also an active participant in the bilateral and multi-lateral donors' gender and development network, composed of gender and WID officers in the donor community. The network has developed a set of gender guidelines jointly with selected GRP agencies to harmonize the donors and government efforts in integrating and mainstreaming gender considerations in development programs.

In support of our new Strategy, a Gender Committee composed of representatives of SO teams has been organized and will be developing a Gender Plan of Action in FY 2005.

For more information, please go to the following web address, www.usaid-ph.gov.

Results Framework

492-001 Accelerate the Economic Transformation of Mindanao

492-002 Governance of Economic and Legal Systems Improved

SO Level Indicator(s):

- Domestic tax effort (%)
- Gross capital formation (%)
- Growth in private formal sector employment - female (%)
- Growth in private formal sector employment - male (%)
- Level of trade protection (effective protection rate %)

- 2.1** Judicial efficiency improved
- 2.2** Government policy and administration improved
- 2.3** Innovations in trade and investment programs promoted

492-003 Desired Family Size and Improved Health Sustainably Achieved

SO Level Indicator(s):

- Contraceptive Prevalence Rate (modern methods)
- Family planning users obtaining supplies and services from private sector sources
- HIV seroprevalence rate among the sentinel risk group below 3% in all sentinel sites
- Participating units achieving at least 85% cure rate for TB

- 3.1** LGU provision and management of FP/MCH/TB/HIV-AIDS services strengthened
- 3.2** Provision of quality services by private and commercial providers expanded
- 3.3** Greater social acceptance of family planning achieved
- 3.4** Policy environment and financing for provision of services improved

492-004 Productive Life-Sustaining Natural Resources Protected

SO Level Indicator(s):

- Hectares of coastal resources brought under improved management
- Hectares of forest cover maintained
- Number of households in remote areas of Mindanao electrified with RE

- 4.1** Improved energy sector performance
- 4.2** Improved environmental governance
- 4.3** Improved urban environmental governance

492-005 Reduced Growth of Greenhouse Gas Emissions

492-006 Broadened Participation in Formulation and Implementation of Public Policies in Selected Areas

492-007 Threat of HIV/AIDS and Selected Infectious Diseases Reduced

492-008 Assistance to Amerasians

492-010 Prospect for Peace in Mindanao Strengthened

SO Level Indicator(s):

- Cumulative number of former combatants reintegrated into the economy
- Cumulative number of mid-scale and community infrastructure construction started
- Cumulative number of new microenterprise borrowers
- Cumulative number of new microsavings accounts established

- 10.1** Reintegration of former combatants and their communities
- 10.2** Improving economic infrastructure in conflict-affected areas
- 10.3** Accelerating economic and business development of Mindanao
- 10.4** Increasing access to microfinance services
- 10.5** Improving governance and delivery of social services in the ARMM

492-011 Increased Access to Quality Education and Livelihood Skills in Selected Areas

SO Level Indicator(s):

- Number of out-of-school youth trained and obtained jobs or return to formal schooling

Percent of primary school teachers who are certified to teach according to national standards

Primary completion rate (grades 1-6) - percent

11.1 Access to learning opportunities increased

11.2 Improved quality of instruction for reading, english, math and science

11.3 Programs for out-of-school youth operating

11.4 Improved policies and better capacities

492-012 Conflict Reduced in Mindanao and Other Areas Vulnerable to Violence

SO Level Indicator(s):

Cumulative number of former combatants reintegrated into the economy

Cumulative number of mid-scale and community infrastructure construction started

Cumulative number of new microenterprise borrowers

Cumulative number of new microsavings accounts established

12.1 Economic opportunities expanded in conflict-affected areas

12.2 Strengthened local governance in conflict-affected areas

12.3 Improved support systems and programs for former combatants and their communities

492-XXX 498-009 U.S. - Asia Environmental Partnership (US-AEP)

492-YYY Regional Support